

Internal Revenue Service
District Director

Department of the Treasury

Person to Contact:

Telephone Number:

Refer Reply to:

EIN:

Date:

Dear Sir or Madam:

We have considered your application for exemption from Federal income tax as an organization described in section 501(c)(6) of the Internal Revenue Code of 1986.

The information submitted discloses that you were incorporated under the nonprofit corporation laws of the State of [REDACTED] on [REDACTED].

You were formed for the purpose of uniting the manufacturers, distributors, wholesalers, retailers and other related organizations within the computer industry in the [REDACTED] area. You state that all activities you sponsor or provide are directed towards improving the business conditions of your members and providing them with an economy and convenience in conducting their individual businesses.

You state that [REDACTED] percent of your time and revenue will be devoted to research of and recommendations on special group rates for service programs for your members. These service programs include group health insurance, dental insurance, domestic and international discounted long distance calls, check guarantee, bad check collection, and discounted airline tickets. You receive a commission based on a percentage of receipts from your members' usage of these services. These programs are provided to enable your members to secure them more cheaply than if they had to secure them on an individual basis.

Section 501(c) of the Code describes certain organizations exempt from income tax under section 501(a) and reads, in part, as follows:

"(6) Business leagues, chambers of commerce, real-estate boards, boards of trade, or professional football leagues (whether or not administering a pension fund for football players), not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual."

Section 1.501(c)(6)-1 of the Federal Income Tax Regulations provides that a business league is an association of persons having some common business interest, the purpose of which is to promote such common interest and not to engage in a regular business of a kind ordinarily carried on for profit. It is an organization of the same general class as a chamber of commerce or board of trade. Thus its activities should be directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons.

Revenue Ruling 74-81, 1974-1 C.B. 135, holds that an organization whose principal activity is to provide its members with group workmen's compensation insurance relieves the members of obtaining the insurance on an individual basis, resulting in a convenience in the conduct of their businesses. The organization is rendering particular services for individual persons and is not entitled to exemption under section 501(c)(6) of the Code.

Revenue Ruling 66-338, 1936-2 C.B. 226, holds, in part, that an organization whose principal activities include the securing of supplies, equipment, and services more cheaply for its members is performing particular services for individual persons, as distinguished from activities aimed at the improvement of business conditions in their trade as a whole, and does not qualify for exemption under section 501(c)(6) of the Code.

The information you submitted demonstrates that your primary activity is the securing of special group rates on service programs for your members, which constitutes the performance of particular services. Your activities are not directed to improving one or more lines of business.

Therefore, we have concluded that you do not qualify for exemption from Federal income tax as an organization described in section 501(c)(6) of the Code.

Accordingly, you are required to file income tax returns annually with your District Director.

Contributions made to you are not deductible as charitable contributions as defined in section 170(c) of the Code.

If you are in agreement with this proposed determination, we request that you sign and return the enclosed agreement Form 6018, Consent to Proposed Adverse Action. Please note the instructions for signing on the reverse side of this form.

[REDACTED]

If you are not in agreement with this proposed determination, we recommend that you request a hearing with our office of Regional Director of Appeals. Your request for a hearing should include a written appeal giving the facts, law, and any other information to support your position as explained in the enclosed Publication 892. You will then be contacted to arrange a date for a hearing. The hearing may be held at the office of Regional Director of Appeals Jr, if you request, at a mutually convenient District Office. A self-addressed envelope is enclosed.

If we do not hear from you within 30 days from the date of this letter, and you do not protest this proposed determination in a timely manner, it will become our final determination in this matter.

Sincerely yours,

[REDACTED]

District Director

Enclosures:
Publication 892
Form 6018
Self-addressed envelope